

# **EXHIBIT P**



- [Home](#)
- [Auto](#)

- [Gadgets](#)
- [Hardware](#)
- [Internet](#)
  - [IT](#)
- [Science](#)
- [Software](#)
- [Blogs](#)
- [Polls](#)

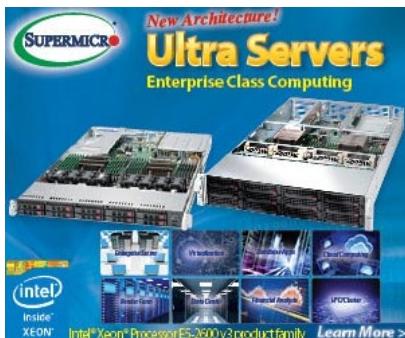
- [Submit News](#)

[RSS](#)

**Slow computer and don't know what to do?**



Gadgets [Samsung Breaks the Bank w/ \\$14B in Advertising, But is it Trying Too Hard?](#)  
[Jason Mick \(Blog\)](#) - December 4, 2013 10:47 AM



Some advertising analysts say Samsung is overspending versus its rival Apple

Perhaps best known today for its Android smartphones, Samsung Electronics Comp., Ltd. ([KSC:005930](#)) has become a [highly visible global brand](#).

In [a new piece](#) "Samsung's marketing splurge doesn't always bring bang-for-buck", *Reuters* discusses this trend and tends to take a highly critical view of Samsung's spending, its recent product launches, and its role as innovator in general.

#### I. Hey, Big Spender

It is unquestionable that Samsung is spending big when it comes to advertising and that its spending is growing fast. In 2012, AdAge [reported](#) that Samsung [increased its U.S. advertising budget](#) more (percentage-wise) than any other company, growing it 58 percent.

In the U.S. advertising market Samsung only spent \$597M USD for the year, [according to](#) AdAge, a figure which appeared to narrowly miss the ad budget of archrival Apple (Apple spent \$662M USD in the U.S.). However, AdAge also estimated that Samsung's *unofficial* ad budget for the U.S. (which included smaller campaigns, blog advertising, etc.) was \$882M USD, which indicated it might actually have actually outspent Apple in the region.



Samsung is taking advertising spending to new extremes. [Image Source: SeongJoon Cho/Bloomberg]

And globally Samsung spent \$4.3B USD in 2012, easily eclipsing the \$1B USD Apple spent globally on ads.

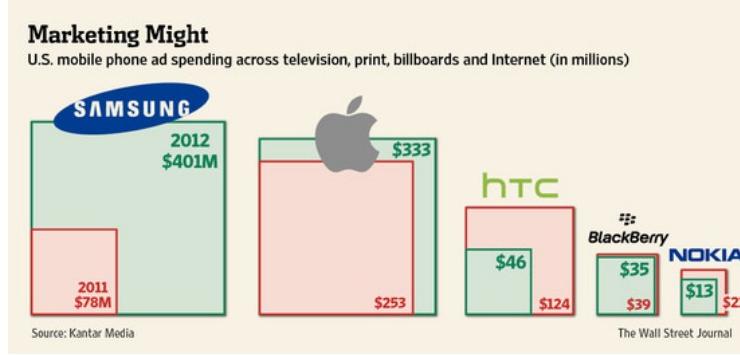
Like Apple, Samsung has used multiple advertising agencies to spread a diverse message. Samsung draws from more of a global pool of advertising giants [The Publicis Groupe](#), based in Paris, France; [The Interpublic Group, Inc. \(IPG\)](#), based in New York City, New York; and [MDC Partners Inc.](#) (MDCA), a global agency with headquarters in Toronto, Ontario (Canada) and New York City, New York (U.S.).



Whereas Samsung's message is more globally driven, Apple's advertising campaign is primarily engineered by Californian firms like Media Arts Lab's TWBA. [Image Source: Archidose]

By contrast Apple uses mostly U.S. ad agencies, with the bulk of its help coming from agencies in its home state of California. The agencies used by Apple are large, well known agencies, but tend to be slightly smaller than the ones Samsung uses. Among its top partners are [TBWA](#), based out of Los Angeles, Calif.'s nonprofit [Media Arts Lab](#); [Eleven Inc.](#), based in San Francisco, Calif.; and [Mono](#), based out of Minneapolis, Minn.

Both companies focus the brunt of their advertising dollars on [their most profitable products](#) -- smartphones. In 2012 Apple spent \$333M USD on advertising its iPhone, while Samsung spent \$401M USD to [advertise its Galaxy line](#) of smartphones. As you notice, those numbers -- a dollar for dollar comparison on a per product/product line basis -- look less lopsided than the global advertising budgets. Indeed, Samsung may have outspent Apple in 2012, but it did so relatively narrowly in U.S. spending in markets where the pair compete.



Samsung and Apple were relatively close in U.S. mobile phone advertising in 2012.

[Image Source: WSJ/Kantar Media]

That's one place where the *Reuters* piece comes off as biased and inaccurate, in that it fails to fully dig into not only *how much* was spent, but *which product sectors* it was spent on.

Samsung is winding down a year of massive advertising spending. The Asian phonemaker's 2013 advertising makes its 2012 look downright frugal. This year Samsung is expected to pour \$14.3B USD into global advertising. Apple's advertising is expected to under a tenth of that. While U.S. regional ad spending was close in 2012, Samsung is expected to jump way ahead in 2013 -- without making a major run on Apple's crown in brand image rankings.

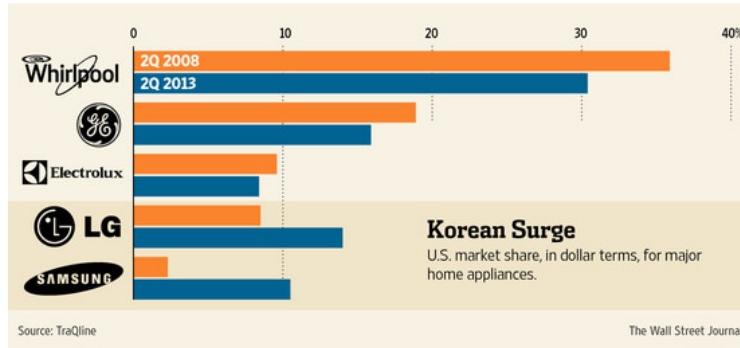
Given what Samsung has received brand image-wise versus what it's paid for you can see where some advertising analysts have been critical of Samsung. However, it's important to not misstate, overstate, or misrepresent Samsung's 2012 efforts, which in many ways were much more modest and in line with Apple's in terms of tablet and smartphone industry advertising.

## II. Market Gains

Another thing understated in the *Reuters* piece is that the spending appears to be working, even if the return on investment is fair fodder for debate.

Samsung is currently the top seller of smartphones both globally (where it's led for some time now) and in the U.S. (where it recently moved ahead of Apple). It's in a solid second place in the tablet market (behind Apple). But as crucial a profit driver as the mobile market is to Samsung, it's important to recognize the company's growth and rising prominence in other sectors as well -- growth that is driven by heavy advertising.

There's a lot more to Samsung than just phones and tablets. Currently Samsung is the top seller of LCD TVs (ahead of LG Electronics, Inc. ([KSC:066570](#))), globally. It's in a solid second place in the tablet market (behind Apple). Samsung went from a relative bit player in the global appliances market, with a 2.3 percent market share in the U.S. in 2008 to a market share of 10.3 percent in 2013, good enough for fifth place. Globally, it is reportedly now the eighth largest appliance seller.



Market share by vendor, U.S. appliance market [Image Source: The Wall Street Journal]

And there's strong evidence that the spending is causative of the market share increase. U.S. leader Whirlpool Corp. ([WHR](#)) spent less than a tenth as much as Samsung in 2013. And between 2008 and 2013 its lead in the home appliance market has shrunk, as have the market share of other major U.S. appliance makers like General Electric Comp. ([GE](#)).

Samsung's rising brand recognition is driven not just by spending on advertising its mobile offerings, but also by its heavy spending in other sectors, including the TV and appliance markets.

In its [annual rankings](#), compiled in November, *Forbes* rated Samsung the ninth most valuable global brand in 2013 -- up from number twelve in [2012's rankings](#) -- but behind Apple who held the title of most valuable brand in 2012 and 2013. Samsung's brand value grew 53 percent in 2013, faster than Apple's 20 percent growth, according to *Forbes*.

# The World's Most Powerful Brands 2012

[« The World's Most Powerful Brands Home](#) | [Methodology](#)

## BROWSE THE LIST

Values Calculated October 20

Rank	Brand	Brand Value (\$bil)	Consumer Perception Rank	Brand Revenue (\$bil)	Company Advertising (\$mil)	Industry
1	Apple	87.1	11	108.2	933	Technology
2	Microsoft	54.7	1	73.7	1,600	Technology
3	Coca-Cola	50.2	29	22.8	3,256	Beverages
4	IBM	48.5	20	106.9	1,373	Technology
5	Google	37.6	7	36.5	1,544	Technology
6	Intel	32.3	6	54.0	2,100	Technology
7	McDonald's	37.4	85	85.9	769	Restaurants
8	General Electric	33.7	49	124.7	-	Diversified
9	BMW	26.3	5	73.7	-	Automotive
10	Cisco	26.3	15	46.1	325	Technology
11	Oracle	25.9	50	37.1	79	Technology
12	Samsung	19.3	9	148.5	2,684	Technology

# The World's Most Valuable Brands 2013

[« The World's Most Valuable Brands Home](#) | [Methodology](#)

# 2013

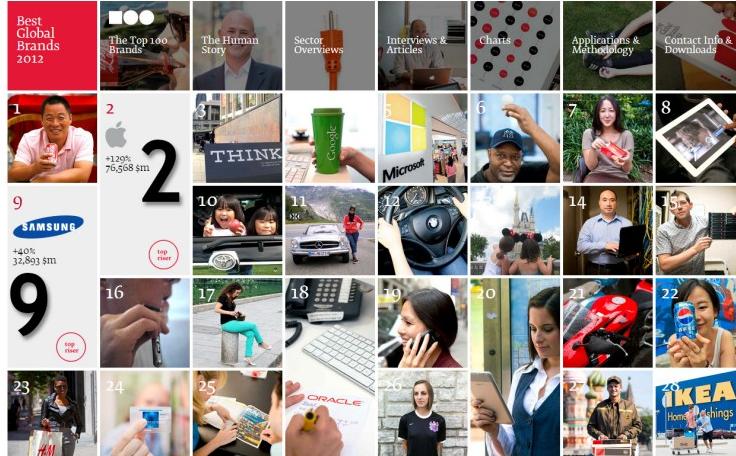
Values calculated November 2013

## BROWSE THE LIST

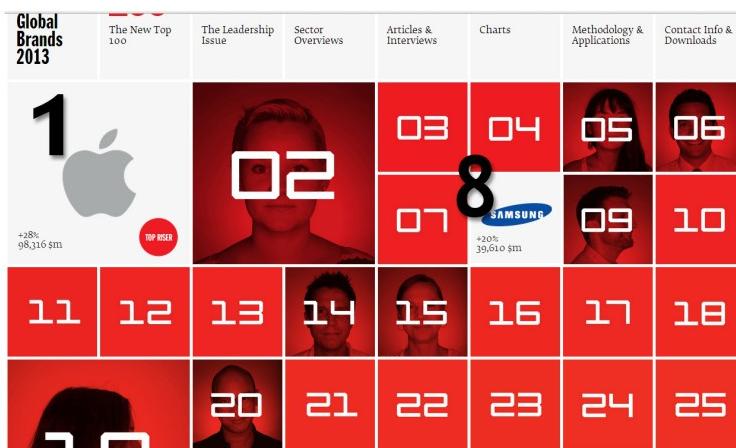
Rank ▲	Brand	Brand Value (\$bil)	1-Yr Value Change (%)	Brand Revenue (\$bil)	Company Advertising (\$mil)	Industry
1	Apple	104.3	20	156.5	1,100	Technology
2	Microsoft	56.7	4	77.8	2,600	Technology
3	Coca-Cola	54.9	9	23.5	3,342	Beverages
4	IBM	50.7	5	104.5	1,339	Technology
5	Google	47.3	26	43.5	772	Technology
6	McDonald's	39.4	5	88.3	788	Restaurants

Interbrand, another top market research firm, similarly estimated Samsung in ninth place, and Apple in second for 2012. But it was more bearish on Samsung's gains, stating it gained "only" 40 percent in value, versus a 128 percent rise in value for Apple. Interbrand ranked Samsung in #8 (up one spot) in 2013, and Apple #1 (up one spot). Again, it diverged from *Forbes*, indicating that Apple was the bigger winner, growing brand value by 28 percent, versus 20 percent for Samsung.

## 2012



## 2013



[Image Source: Interbrand]

Notably, *Reuters* didn't even mention the more favorable *Forbes* brand numbers, instead only citing the more pro-Apple Interbrand analysis. With both sets of brand image numbers considered, the picture less black and white.

Either way you cut it, Apple is clearly getting top value for its dollar. But if you trust the *Forbes* numbers Samsung is spending more and growing faster (than Apple). If you trust the Interbrand numbers Samsung is spending more and growing slower. But both reports agree that both Samsung and Apple are growing their brand image at a rapid rate, and spending large sums to do so compared to smaller competitors in the mobile electronics space.

### III. Trying Too Hard?

Perhaps the harshest angle of attack in the *Reuters* piece is its implications that Samsung is a follower and not an innovator. The author writes:

*For a company long seen as a follower, this is now a big sell on it being an innovator.*

And it backs up that claim, by further alleging that Samsung's advertising message is confused. It quotes Moon Ji-hun, head of Interbrand's South Korean office, who comments:

*When your brand doesn't have a clear identity, as is the case with Samsung, to keep spending is probably the best strategy. But maintaining marketing spend at that level in the longer term wouldn't bring much more benefit. No one can beat Samsung in terms of (ad) presence, and I doubt whether keeping investing at this level is effective.*

He points to the fact that Apple spends only 0.6 percent of its annual revenue on ad spending, where Samsung spends a whopping 5.4 percent of it.

While there's no denying those numbers, it's also important to consider that Samsung's growth targets are much more aggressive, where Apple's have looked increasingly conservative. This again comes back to understanding that there's more to Samsung than mobile. While the Apple versus Samsung angle is highly entertaining, the fact of the matter is that Apple and Samsung both enjoy mature dominant positions in the mobile market. Aside from the tablet market, Samsung's biggest growth potential lies in markets where it's been traditionally been weak and/or unprofitable -- the PC, television, and appliance markets.

While tech enthusiasts may have been aware of the Samsung brand ten years ago, the average consumer back then had nowhere near the strong opinions that *Reuters* claims.

Back in 2003, Samsung was known for its feature phones and TVs in the U.S. market -- but not that much else. The whole "innovator" versus "follower" debate in the context of the average consumer arose more or less in 2010 when Apple sued Samsung. And the public only became very aware of the legal war in 2011-2012 as it became more heated and the bans/decisions started rolling in.



Back in 2007 consumers didn't have as passionate feelings about Samsung -- good or bad.

[Image Source: PhoneDog]